

Message Text

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PAGE 01 STATE 029584

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C O N F I D E N T I A L STATE 029584

LIMDIS

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TAGS:ECON, EFIN, CG

SUBJECT:ZAIRE'S FINANCIAL SITUATION

REFS:STATE 027788; KINSHASA 0901; KINSHASA 0770

1. SPECULATION AND RUMOR THAT ZAIRE WILL CALL FOR RESCHED-
ULING OF FOREIGN DEBT OR MORATORIUM ON PAYMENTS HAS BEEN
GAINING GROUND IN US BANKING COMMUNITY PAST SEVERAL DAYS.
BANKERS TRUST NOW PREDICTING SUCH DEVELOPMENT LIKELY; SIMI-
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PAGE 02 STATE 029584

LAR PREDICTION REPORTEDLY MADE AT BERN UNION MEETING COUPLE

OF WEEKS AGO BY BELGIAN GOVT EXPORT CREDIT AGENCY, WHICH INFORMED OTHER UNION MEMBERS IT HAD STOPPED EXTENDING MEDIUM-TERM COVER FOR ZAIRE. FEAR OF RESCHEDULING IS CREATING PARTICULARLY DIFFICULT DILEMMA FOR BANKS PLANNING PARTICIPATION IN GULF AND SMTF PROJECT LOANS, BOTH IN FINAL STAGES PREPARATION, AS WELL AS FOR BANKS WITH OUTSTANDING UNFUNDED COMMITMENTS IN ZAIRE (EXAMPLE OF LATTER IS EQUIBANK, WHICH FACES DRAWDOWN OVER NEXT YEAR OF \$10 MILLION LOAN TO SNEL FOR INGA II, OF WHICH ONLY ABOUT \$3 MILLION COVERED BY EXIM BANK GUARANTEE.)

2. DEPLETION OF ZAIRE'S FOREIGN RESERVES AND DOUBT ABOUT COUNTRY'S CREDIT WORTHINESS HAS ALREADY HAD IMRACT ON SHORT-TERM CREDIT AND EXPORTER CONFIDENCE. WE KNOW OF ONE EXPORTER WHO HAS BEEN UNABLE FIND 180-DAY ACCEPTANCE FINANCING FOR NORMAL \$2 MILLION COMMERCIAL SALE AND ANOTHER WHO OUT OF FEAR THAT KINSHASA BANK WOULD NOT BE ABLE HONOR ITS LETTER OF CREDIT HAS DIVERTED EXPORT SHIPMENT WHICH HAD BEEN READY FOR UNLOADING IN MATADI. EXIM BANK STAFF UNDERSTANDS COMM"RCIAL CREDIT FOR ZAIRE DRYING UP IN EUROPE ALSO. COLLINS RADIO REPORTS THAT OPIC HAS INFORMED COMPANY THAT IN PRESENT SITUATION IT CANNOT CONSIDER EDUCATIONAL TV FINANCING PROPOSAL REPORTED STATE6017, AND WE NOTE INTER-CONTINENTAL HOTEL DECISION WITHHOLD FURTHER EXPENDITURE ON ITS THREE NEW ZAIRE PROJECTS (NEWLIN-GATT MEMCON).

3. IN BRIEFING PRIVATE BANKS, DEPT HAS SOUGHT TO DISTINGUISH BETWEEN SERIOUS SHORT-TERM PAYMENTS SITUATION AND BRIGHTER LONGER-TERM PROSPECTS. WHILE NOT SPECULATING ON POSSIBILITY OF RESCHEDULING, WE HAVE TOLD BANKS THAT WE HAVE NO REPORT OF GOZ APPROACH TO ANY CREDITOR TO PROPOSE OR DISCUSS THIS AND NO REPORT OF FAILURE OF KINSHASA BANKS TO HONOR LETTERS OF CREDIT. WE HAVE ALSO PASSED ON REUTERS REPORT OF FEBRUARY 6 AZAP STATEMENT QUOTING "SOURCES CLOSE TO MOBUTU" AS "CATEGORICALLY DENYING" RUMORS THAT ZAIRE MIGHT ASK FOR MORATORIUM ON FOREIGN DEBT PAYMENTS. WOULD APPRECIATE EMBASSY CONFIRMATION OF THIS REPORT AS WELL AS ANY INFORMATION AVAILABLE ON MEETING BETWEEN BANK OF ZAIRE AND COMMERCIAL BANKS ORIGINALLY SCHEDULED FOR JANUARY 30 AND ON POLICY BEING ADOPTED BY COMMERCIAL BANKS ON NEW CONFIDENTIAL

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PAGE 03 STATE 029584

FOREIGN OPERATIONS.

4. COMMENT: WHILE REDUCED AVAILABILITY OF SHORT-TERM COMMERCIAL CREDIT, HOWEVER PROCRUSTEAN THE IMPORT CUTS IT FORCES MAY BE, WILL REINFORCE ZAIRE'S OWN EFFORTS TO BRING ITS FOREIGN REVENUES AND EXPENDITURES INTO BALANCE, THE DRYING-UP OF CAPITAL FOR LONG-TERM RESOURCE-DEVELOPMENT PROJECTS LIKE GULF'S AND SMTF'S, CAUSED BY FEARS ABOUT RE-

SCHEDULING, WOULD BE A BLOW TO ZAIRE'S DEVELOPMENT. BOTH RISK PRODUCING THE KIND OF POLITICAL BACKLASH SUGGESTED KINSHASA 901, TO DETRIMENT OF US AND OTHER WESTERN INTERESTS IN ZAIRE. DEPT IS CONTINUING TO MONITOR CLOSELY EVOLVING ZAIRIAN FINANCIAL SITUATION WITH VIEW TO CONSIDERING WHAT ROLE, IF ANY, US SHOULD BE PREPARED TO PLAY IN CONCERT WITH OTHERS IN ORDER PROTECT SIGNIFICANT US FINANCIAL AND POLITICAL INTEREST IN ZAIRE'S ECONOMIC HEALTH. WOULD APPRECIATE CONTINUING EMBASSY ASSESSMENT OF SITUATION AND PARTICULARLY ANY CLARIFICATION OF SCOPE OF PROBLEM AND POSSIBLE REMEDIES WHICH MAY EMERGE IN COURSE OF IMF TEAM CONSULTATIONS WHICH BEGIN THIS WEEK. KISSINGER

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